



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
June 26, 2012
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairman Jimenez called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:36 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Augustin Jimenez, represented the Secretary of the Business, Transportation and Housing Agency.

Pedro Reyes, represented the Director of the Department of Finance.

Francisco Lujano, represented the State Treasurer.

Dr. Willie Armstrong, represented the Secretary of the State and Consumer Services Agency.

D. Everett Rice, Governor's appointee, was absent.

The following I-Bank staff members were in attendance:

Roma Cristia-Plant, Marilyn Munoz, Joel Tokimitsu and Diane Cummings.

2. Executive Director's Report.

Assistant Executive Director, Roma Cristia-Plant, reported to the Board the following:

- On June 14th, Moody's downgraded to Ba1 all California Tax Allocation Bonds rated Baa3 or higher, and the rating remains on review for withdrawal. Ba1 is a non-investment grade rating. The ratings report cites the new cash distribution procedure for the flow of former redevelopment agency tax increment funding effectively eliminates bond indenture's flow of funds, and give rise for potential debt service defaults that did not exist prior to the law dissolving redevelopment agencies. I-Bank staff has been actively monitoring the redevelopment agency dissolution process, including the potential impacts to bonds issued for the I-Bank's own Infrastructure State Revolving Fund (ISRF) Program. It is important to note that all tax increment payments owed from ISRF Program borrowers have been made on time. Staff will continue to monitor the situation.
- On June 21st, Moody's downgraded the debt ratings of 15 banks and securities firms with global capital markets operations. I-Bank staff is assessing potential impacts of the rating downgrades on outstanding conduit bonds with credit enhancements rated by Moody's, and will report back to the Board at a future Board meeting.
- The I-Bank completed a prepayment transaction in connection with the lease agreement for the State School Fund Apportionment Lease Revenue Bonds, Series 2005B (West Contra Costa Unified School District). The completion of the prepayment transaction achieved the District's objective of satisfying its emergency apportionment loan obligation, thereby allowing the District to request removal of the State administrator appointed to oversee the District's operations. The prepayment transaction also results in debt service savings to the District and the State.

- First Southwest Company was selected to serve as the I-Bank's new investment advisor pursuant to a Request for Qualifications process. The I-Bank will enter into a three-year contract with the firm.
- Staff continues to work with the State Water Resources Control Board to structure and issue refunding bonds for the Clean Water State Revolving Fund Bonds issued by the I-Bank in 2002. The bond team is now complete with the recent selection of Piper Jaffray as the underwriter.
- The I-Bank's auditors, Macias, Gini and O' Connell LLP, are onsite this week to begin the 2011-2012 financial audit. The auditors will be returning in late August to resume the audit.
- At the April 24, 2012, board meeting we reported that the I-Bank was notified that it received the Government Finance Officer's Certificate of Achievement for Excellence in Financial Reporting for our FY 2010-11 CAFR. The I-Bank has now received a plaque to share with the Board.
- On July 2nd Alicia White, who is here today, will be joining the I-Bank as our new Office Technician. The I-Bank will be fully staffed with a crew of 24 after her hire.

In response to comments from Mr. Reyes regarding the Moody's downgrade of California Tax Allocation Bonds, Chairman Jimenez asked for clarification on AB 26 to which Mr. Reyes responded that AB 26 is very clear about the intent for bond and loan obligations to be paid on time from tax increment funds, and that clean-up legislation for AB 26 will be considered by the Legislature on the following day.

Chairman Jimenez called for any additional questions or comments from the Board or the public; there was none.

Consent Items:

3. Approve minutes from the meeting held on April 24, 2012.

Chairman Jimenez called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve the consent item. Mr. Reyes moved to approve the minutes and Mr. Lujano seconded the motion. The Board unanimously approved the minutes.

Action Items:

4. Resolution No. 12-05 approving a Post-Issuance Tax Compliance Policy for Conduit Bonds (Industrial Development Bonds, Exempt Facility Bonds and 501(c)(3) Organization Bonds) and delegating to the Executive Director authority to implement and revise such policy as necessary in order to effectively carry out the duties of the I-Bank as an issuer of conduit bonds.

Mr. Tokimitsu presented a staff report requesting the Board approve a proposed Post-Issuance Tax Compliance Policy for Conduit Bonds (Qualified 501(c)(3) Bonds, Industrial Development Bonds and Exempt Facility Bonds) and a resolution that allows the Executive Director to implement the policy, and delegates to the Executive Director the authority to consider and grant or deny requests for exceptions and waivers, where appropriate, in order to effectively carry out

the duties of the I-Bank as an issuer of conduit bonds. Mr. Tokimitsu explained that the purpose of the proposed policy is to formalize procedures that will assist the I-Bank in ensuring that borrowers of conduit private activity bond comply with federal tax laws necessary to preserve the tax-exempt status of the bonds.

He added that in order to effectively carry out the duties of the I-Bank, the resolution allows the Executive Director to implement the policy, consider and grant or deny requests for exceptions and waivers to the policy, where appropriate. In the event such requests are granted, the resolution requires the Executive Director to report such action to the Board as soon as practicable. The resolution also includes a direction to the Executive Director to periodically, as necessary or appropriate, request Board review of the policy. In conclusion, Mr. Tokimitsu informed the Board that staff plans to bring proposed post-issuance tax compliance policies for public agency revenue conduit bonds and bonds directly issued for the I-Bank's programs at a future Board meeting.

Before asking for questions or comments, Chairman Jimenez called for a motion to approve Resolution No. 12-05. Mr. Reyes motioned to approve the resolution and Dr. Armstrong seconded the motion.

Chairman Jimenez asked for questions or comments from the Board on Resolution No. 12-05. Ms. Munoz responded to a query from Dr. Armstrong, and clarified that the Executive Director will evaluate exceptions to the policy if a borrower demonstrated that an aspect of the policy was not applicable to the borrower or the specific transaction. Chairman Jimenez requested staff to consider developing criteria for evaluating exceptions and waivers to the policy. Mr. Lujano stated that while it is important for the I-Bank to have such a post issuance policy as the one proposed, new developments have arisen that have necessitated the State Treasurer's Office (STO) to review and update the post-issuance tax compliance policies for many of the STO's financing authorities.

Mr. Lujano proposed an amended motion for the board to consider approving the resolution and policy as proposed, direct staff to work with STO staff and bond counsel regarding updates to the policy, and to return to the Board with a proposed amended policy within three months or so. Mr. Reyes provided a second to the amended motion, and Chairman Jimenez called for a vote on the amended motion to approve Resolution No. 12-05. The Board unanimously approved Resolution No. 12-05.

Non-Action Items:

- 5. I-Bank Monthly Investment Transaction Report:**
 - a. Month Ending April 30, 2012.**
 - b. Month Ending May 31, 2012.**
- 6. Actions taken by the I-Bank's Executive Director pursuant to authority delegated by the Board:**
 - a. In connection with the California Infrastructure and Economic Development Bank Revenue Bonds, Series 2010, initially issued for the benefit of the Buck Institute for Age Research, the Executive Director approved an amendment to**

- the indenture to allow the use of bond proceeds to purchase equipment related to the project originally financed.
- b. In connection with the California Economic Development Financing Authority, Variable Rate Demand Refunding Revenue Bonds, Series 1996, initially issued for the benefit of KQED, Inc., the Executive Director provided an I-Bank consent to a full prepayment and optional redemption of bonds.
 - c. In connection with an Infrastructure State Revolving Fund Program Enterprise Fund Installment Sale Agreement (CIEDB-B08-093) executed on July 1, 2009, between the I-Bank and the City of Davis to finance the East Area Tank (CIP 8172) and Other Components of the Davis Well Capacity Replacement EIR Project, the Executive Director approved an agreement amendment to further extend the deadline for the disbursement of loan proceeds to the borrower.

Chairman Jimenez called for questions or comments from the Board or the public regarding any of the non-action items on the agenda. Hearing none, he continued the meeting.

Other Non-Action Business.

Chairman Jimenez called for any other business; there was none.

Public Comment.

Chairman Jimenez called for any public comment; there was none.

Adjournment.

Chairman Jimenez declared the meeting adjourned at approximately 2:04 p.m.